



OFFICE OF THE
HEALTH INSURANCE COMMISSIONER
STATE OF RHODE ISLAND

Health Insurance Bulletin

Number 2008-3

Small Group Annual Filing

Section 12 of Regulation 11, the Small Employer Health Insurance Availability Regulation, requires all participants in the small group market to make an annual filing with the Office of the Health Insurance Commissioner ("OHIC"). The filing is comprised of two parts: (1) an actuarial certification and (2) a filing detailing the rates proposed to be charged or the rating formula proposed to be used by the carrier in the small employer market (the "rate filing"). By statute, each participant in the small employer market must file an actuarial certification with OHIC by March 15th of each year. However, no statutory date was established for the rate filing. Although a March 15th date was initially established for the rate filing, the carriers were previously notified that the filing date for this year's rate filing was postponed to a later date to be determined.

Through this bulletin the carriers are hereby notified that this year's rate filing by carriers participating in the small group market must be filed with the OHIC no later than August 1, 2008.

The rate filing will be for all small group policies commencing or renewing between January 1, 2009 and September 30, 2009. A consolidated large and small group filing in the Spring of 2009 will cover subsequent periods.

The filing process will be based upon the recently completed Large Group rate filing process and where possible, in the interest of expediency, will seek not to duplicate the reviews and analysis made as part of that process. Therefore, carriers should adhere to the following guidelines:

1. OHIC anticipates that carriers will file a rating formula rather than the rates proposed to be charged. Therefore, carriers should file the attached template, along with a narrative explanation of how the factors contained in the template are used to develop a rating formula. To the extent there are other changes not captured by the template that affect

manual rates, the carriers should file amended rate manual pages as necessary to fully disclose the basis for the rates, along with any explanation necessary to explain how the rate manual pages are used and the reason for the changes.

2. Carriers should note which factors they believe should be considered proprietary and confidential. Consistency of requests with those in the large group filing process is expected. Similarly, OHIC will treat these requests consistent with their treatment in the large group filing process.
3. In addition to the template, carriers should file whatever information and data they determine to be necessary to justify the entries in the template, including a full description of how each element of trend has been determined, and an explanation of any changes in trend, contribution to reserves, administrative expense components and commission components as compared to how rates currently in effect were determined.
4. The filing should be accompanied by an actuarial certification signed by the appropriate officer that the proposed rates and methodology have been prepared on the basis of standard actuarial methods and assumptions and that they are in compliance with the requirements of R.I.G.L. Chapter 27-50 Section 27-50-5 and OHIC Regulation 11 Section 5.
5. OHIC will give guidance on the transition, if any, from the use health status adjustments at a later date.
6. The following submission requirements in Regulation 11 are waived for this filing only:
 - (a) Section 12(c)(3),
 - (b) Section 12(c)(6), and
 - (c) Section 12(c)(8).
7. All other requirements and timelines of Section 12 of Regulation 11 remain in force.
8. It should be noted that, if a carrier desires to change its manual rate structure after the submission of this filing, but before the next required annual filing, amended rate manual pages and an explanation should be filed in advance of the off-cycle change.

In reviewing the submission, OHIC will be guided by Regulations 11 and 2, and the criteria developed for the Large Group filing process, and previously disseminated (see http://www.ohic.ri.gov/documents/Press/PressReleases/08LargeGroupFiling/1_Public%20Solicitation%20re%20Large%20Group%20Oversight.pdf). Public comment will be solicited. Documentation and agreements made by the carriers for compliance with Regulation 2 as part of the Large Group Rate Factor filing will be accepted by OHIC in its decision regarding this filing and need not be refiled.

The filing date for next year's rate filing will be established by amendment to Regulation 11.

Proposed Small Group Rate Filing Template

Historical Information

Experience Period for Developing Rates
From To

Utilization Data by Quarter (Last 8 available quarters)

| Quarter | End Date | IP Days | OP PMPM | M/S PMPM | Rx PMPM | Earned Premium | Incurred Claims | Loss Ratio |
|------------|----------|---------|---------|----------|---------|----------------|-----------------|------------|
| 1 (oldest) | | | | | | | | |
| 2 | | | | | | | | |
| 3 | | | | | | | | |
| 4 | | | | | | | | |
| 5 | | | | | | | | |
| 6 | | | | | | | | |
| 7 | | | | | | | | |
| 8 | | | | | | | | |

Prospective Information

Trend Factors for Projection Purposes (Annualized)

| | IP | OP | M/S | Rx |
|-------------|----|----|-----|----|
| Total | | | | |
| Price Only | | | | |
| Utilization | | | | |
| Other* | | | | |
| Other* | | | | |
| Other* | | | | |

* All elements should add or compound to the total. If anything is to be reported as "Other" please provide a description.

The following items for the period to which the rate filing applies, by quarter:

| Quarter | Beginning Date | Average % Rate Increase | Expected Medical Loss Ratio | Expected Contribution to Reserves | Administrative Expense Per Contract Per Month | Average Commissions as PCPM or Percent |
|---------|----------------|-------------------------|-----------------------------|-----------------------------------|---|--|
| 1 2009 | | | | | | |
| 2 2009 | | | | | | |
| 3 2009 | | | | | | |